

AMENDED IN ASSEMBLY JUNE 18, 2008

AMENDED IN SENATE APRIL 22, 2008

AMENDED IN SENATE APRIL 9, 2008

SENATE BILL

No. 1371

Introduced by Senator Correa

February 21, 2008

An act to add Section 758.6 to the Insurance Code, relating to insurance.

LEGISLATIVE COUNSEL'S DIGEST

SB 1371, as amended, Correa. Insurance: automobile repair capping. Existing law prohibits insurers from engaging in specified acts relating to automotive repair.

This bill would prohibit insurers from capping paint and materials charges, as defined.

Vote: majority. Appropriation: no. Fiscal committee: no. State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. The Legislature finds and declares the following:
2 ~~The operators of auto body shops are concerned that some~~
3 ~~insurance companies cap or limit their offers and payments for~~
4 ~~paint and materials charges. Capping occurs when accepted~~
5 ~~industry methodologies are misused in determining a reasonable~~
6 ~~repair cost for paint and material charges.~~
7 (a) *Today, methodologies that are mutually accepted by both*
8 *automobile repair shops and insurers are available to determine*

1 *the cost of paint and related materials. These mutually accepted*
2 *industry methodologies include manuals and estimating systems*
3 *that set out the refinish labor units required to paint a particular*
4 *portion of an automobile, such as a hood, fender, rocker panel,*
5 *and so forth. The paint and material charge is calculated by*
6 *multiplying the refinish unit times the refinish rate. Additional*
7 *mutually accepted industry methodologies that are available*
8 *involve software programs, which calculate the paint and materials*
9 *charges.*

10 (b) *“Capping” occurs when the cost of paint and related*
11 *materials determined by any of these mutually accepted industry*
12 *methodologies is ignored by an insurer. For example, a mutually*
13 *accepted industry methodology determines a cost of seven hundred*
14 *dollars (\$700.00) for paint and related materials, and the insurer,*
15 *as a standard practice, offers three hundred fifty dollars (\$350.00),*
16 *an amount that is unrelated to the paint and material charges that*
17 *would be determined by any of the mutually accepted industry*
18 *methodologies.*

19 (c) *Pricing agreements involving discounts that are entered into*
20 *voluntarily between an automobile repair shop and an insurance*
21 *company constitute neither “capping” nor a mutually accepted*
22 *industry methodology used in determining paint and material*
23 *charges.*

24 SEC. 2. Section 758.6 is added to the Insurance Code, to read:

25 758.6. Insurers shall not engage in capping. For the purposes
26 of this section, “capping” means offering or paying an amount that
27 is unrelated to ~~an~~ *a mutually accepted industry methodology used*
28 *in determining paint and materials charges.*